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POSTAL REGULATORY
COMMISSION
OFFICE OF THE SECRETARY

Hon. Shoshana M. Grove, Secretary
Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, D.C. 20268-0001

Dear Ms. Grove:

In connection with the Commission's rules pertaining to periodic reports, I have enclosed copies of the reports of Revenue, Pieces and Weight (RPW) by rate category and special service for Quarters 1-4 of Fiscal Year (FY) 2009, and a summary annual RPW report for FY 2009. Each of these reports consists of two parts:

1. Mailing Services (Market Dominant Products), Revenue, Pieces and Weight by Classes of Mail and Special Services for [Quarters 1, 2, 3, 4, annual Summary], Fiscal Year 2009, Compared with the Corresponding Period of Fiscal Year 2008, **Public Report**; and
2. Shipping Services (Competitive Products), Revenue, Pieces and Weight by Classes of Mail and Special Services for [Quarters 1, 2, 3, 4, annual Summary], Fiscal Year 2009, Compared with the Corresponding Period of Fiscal Year 2008, **Public Report**.

I have enclosed a disk with machine-readable versions, consisting of one Excel file for each report containing both parts of these public reports. These electronic files may be posted on the internet.

With my letter of August 18, 2009, I previously transmitted the report for Quarter 3, FY 2009, to the Commission in the format used in prior quarterly reports. My letter indicated that I was transmitting the public version of the report in that format as an interim measure, pending completion of an effort to revise the format of the report. The reformatting was intended to provide statistics that would be more informative, for both regulatory and internal reporting purposes. Subsequently, by letter dated September 29, 2009, I transmitted a version of the Quarter 3 report that followed the new, revised format. Although this new format

presented the statistics in slightly modified categories, the structure and categories of information in the report remained largely the same as in previous reports, and neither the underlying data, nor the overall totals of RPW estimates changed in the report, as a result of reformatting.

My letter dated September 29, 2009, attached a summary describing the changes incorporated in the revised format (Attachment 1). As I explained, the revisions were intended to accommodate compatible objectives for both internal Postal Service and regulatory reporting. As I further explained, beginning with the Quarter 3, FY2009 report, future reports would be provided in this new format. I have enclosed with this letter, as Attachment 1, a version of this summary which explains the changed format as it relates to the reports being transmitted now.

The reports I have enclosed for Quarter 4 of FY 2009, and the summary annual report for FY 2009, follow the revised format. In addition, I have enclosed revised versions of the reports for Quarters 1 and 2 of FY 2009 that follow the revised format, and a new version of the Quarter 3 report in the revised format. The Quarter 3 report has been revised in accordance with year-end adjustments.

As I explained in my letter of September 29, 2009, for regulatory reporting, the new format structure is intended to accomplish the following objectives: a) to align International products more closely with the current Mail Classification Schedule and Annual Compliance Report, and b) to restructure the Shipping Services section of the report (Part 2, Competitive Products) to present public breakouts for Express Mail, Priority Mail, Parcel Select, Parcel Return Service and International Mail totals.

For Postal Service internal reporting, the new RPW Report format is intended to accomplish the following objectives: a) to move Negotiated Service Agreement volumes into their respective product categories giving product managers a clearer view of the behavior of these business groupings; and b) to reorganize all Shipping Services international products by combining them in the international section of the report. There are other minor changes in the format for mail fees and services.

As with prior reports in the recent past, I have included with the public versions of the RPW reports for Quarters 1-4, and the summary annual report for FY 2009, restricted versions that disaggregate the international and domestic data pertaining to competitive products (**Restricted Report**). These alternative, restricted versions follow the newly adopted format used in the public reports, and provide the Commission with additional, disaggregated data for the confidential categories. The restricted reports are being provided on computer disk and in hard copy, and should not be made public. They have been marked as restricted and confidential.

Similar to prior quarterly reports, the Restricted Reports (Part 2 of the reports for Quarters 1-4, and the summary annual report for FY 2009) do not redact information from the non-public versions of the reports, but present statistics in aggregated categories. In the new format, however, the categories have been expanded. The public versions in the old format limited the statistics to one category for "Total Shipping Services Mail" and one category for "Total Shipping Services Services." The new format presents aggregations by individual product category. This change results in new line items for "Total Express Mail," "Total Priority Mail," "Total Parcel Select Mail," and "Total Parcel Return Service Mail."

The Postal Service believes that the material contained in the Restricted Reports that is not included in the public versions consists of information that would not be subject to mandatory disclosure pursuant to the Freedom of Information Act and Title 39, United States Code. As with my letter of September 29, 2009, which first transmitted the RPW report for Quarter 3, FY 2009 (in the revised format), I have enclosed as Attachment 2 of this letter the "Application of the United States Postal Service for Non-Public Treatment of Materials" Pursuant to 39 C.F.R. § 3007.21, this document describes the information in the restricted versions that has been aggregated in the public versions, and presents the statutory basis for the Postal Service's request for confidentiality, as well as a description of the harm that would result from disclosure. In the future, to the extent we continue to rely on the discussion in this Application, it will be incorporated by reference.

If you have any questions regarding the changes described above or the reports for Quarters 1-4, or the summary report, for FY 2009, do not hesitate to call.

Sincerely,



Daniel J. Foucheaux, Jr.
Chief Counsel, Pricing and
Product Support

Enclosures

cc: Ms. Taylor

ATTACHMENT 1

RPW REPORTS – SUMMARY OF FORMATTING CHANGES

The following summarizes the changes in formatting that have been incorporated in the public and restricted versions of the revised Quarters 1-2 RPW reports, the Quarter 3 RPW report, and the annual summary RPW report, for FY 2009.

These changes in formatting will apply to future reports:

1. In both the public and restricted versions of Part 1 (Mailing Services (Market Dominant Products)), the category of "Negotiated Service Agreement Mail" has been eliminated, and data representing NSA product categories have been incorporated into the presentations of statistics for each class. This change has resulted in the following new line items under the new format:

- Under First-Class Mail,
 - "Domestic Negotiated Service Agreement Mail"
 - "Inbound International Letter-Post NSA Mail"
 - "Inbound International Negotiated Service Agreement Mail"
 - "First-Class Domestic NSA Mail Fees"
- Under, Standard Mail,
 - "Domestic Negotiated Service Agreement Mail"
 - "Inbound International Negotiated Service Agreement Mail"
 - "Standard Mail Domestic NSA Mail Fees"
- Under Package Services Mail,
 - "Inbound International Negotiated Service Agreement Mail"

2. In the restricted version of Part 2 (Shipping Services (Competitive Products)), the category of "Negotiated Service Agreement Mail" has been eliminated, and data representing NSA product categories have been incorporated into the presentation of statistics for the competitive and international products. In addition, statistics representing international products, formerly displayed under each competitive product (Express Mail, Priority Mail, Parcel Select Mail, and Parcel Return Service Mail), have been moved to an expanded "International Mail" category. These changes have resulted in the following new line items under the new format:

- Under Express Mail,

"Domestic Express Mail Negotiated Service Agreements"

- Under Priority Mail,

"Domestic Priority Mail Negotiated Service Agreements"
 "Priority Mail Negotiated Service Agreement Mail Fees"

- Under Parcel Select Mail,

"Parcel Select Negotiated Service Agreement Mail"
 "Parcel Select Negotiated Service Agreement Mail Fees"

- Under Parcel Return Service Mail,

"Parcel Return Service NSA Mail"

- Under International Mail,

"International Expedited Services"

This category includes Outbound International Expedited Services," "Outbound International Services NSA Mail," "Inbound international Expedited Services," and "Inbound International Expedited Negotiated Service Agreements."

- Under International Mail,

"International Priority Mail"

This category includes "Outbound Priority Mail International," "Outbound Priority Mail International NSA Mail," "Inbound Air Parcel Post," and "Inbound International Priority Mail Negotiated Service Agreements."

- Under International Mail,

"Other International Mail."

This category incorporates the products listed under the old format for International Mail ("International Priority Airmail (IPA)," "International Surface Airlift (ISAL)," "International Direct Sacks M-Bags (First-Class)," "Inbound Surface Parcel Post (at Non-UPU rates)). It also includes as new line items: "Outbound International Negotiated Service Agreement Mail," and "Inbound International Service Agreement Mail."

- Under Special Services, the categories of "International Money Orders" and "International Money Transfer Service" in the old format have been aggregated in the new format into one category, "International Money Orders and Transfer Service."

ATTACHMENT 2

APPLICATION OF THE UNITED STATES POSTAL SERVICE FOR NON-PUBLIC TREATMENT OF MATERIALS

In accordance with 39 C.F.R. § 3007.21 and Order No. 225,¹ the United States Postal Service (Postal Service) hereby applies for non-public treatment of certain materials filed under seal with the Commission. The materials consist of the Revenue, Pieces, and Weight (RPW) reports for Quarters 1-4 of FY 2009, and an annual summary RPW report for FY 2009, to the extent they concern certain market dominant and competitive products, as required by 39 C.F.R. § 3050.25(b). Public versions of these reports, which show virtually all market dominant product information, as well as summary information for affected market dominant and competitive product groupings, are included with this filing as separate Excel files. Non-public versions showing all information for market dominant and competitive product groupings are filed under seal. The correspondence between the two versions of these reports, respectively, are explained in the chart on page 4 below.

(1) The rationale for claiming that the materials are non-public, including the specific statutory basis for the claim, and a statement justifying application of the provision(s);

The materials designated as non-public consist of information of a commercial nature that under good business practice would not be publicly disclosed. In the Postal Service's view, this information would be exempt from mandatory disclosure pursuant to 39 U.S.C. § 410(c)(2) and 5 U.S.C. § 552(b)(3) and (4).² Because the portions of the

¹ PRC Order No. 225, Final Rules Establishing Appropriate Confidentiality Procedures, Docket No. RM2008-1, June 19, 2009.

² In appropriate circumstances, the Commission may determine the appropriate level of confidentiality to be afforded to such information after weighing the nature and extent of the likely commercial injury to the Postal Service against the public interest in maintaining the financial transparency of a government

materials that the Postal Service is applying to file only under seal fall within the scope of information are not required to be publicly disclosed, the Postal Service asks the Commission to support its determination that these materials are exempt from public disclosure and grant its application for their non-public treatment.

(2) Identification, including name, phone number, and email address for any third-party who is known to have a proprietary interest in the materials, or if such an identification is sensitive, contact information for a Postal Service employee who shall provide notice to that third party;

Due to the level of aggregation in RPW reports, the Postal Service believes that no third parties have a proprietary interest in the materials, with four exceptions. The Canada Post Corporation (CPC) is the only customer associated with the categories of Inbound International Letter-Post NSA Mail and Inbound Surface Parcel Post (at Non-UPU Rates) at this time. Because the information for that category corresponds to information about CPC's market dominant and competitive traffic, CPC is the only third party with a proprietary interest in these data. In compliance with 39 C.F.R. § 3007.20(b), the Postal Service has informed CPC of the nature and scope of filing. The CPC was informed of its ability to address its confidentiality concerns directly with the Commission. The Postal Service identifies Dave Eagles, Director, International Relations, Canada Post Corporation, as the appropriate contact on behalf of CPC. Mr. Eagles' telephone number is (613) 734-6043, and his email address is dave.eagles@canadapost.ca. CPC has requested that any communications regarding confidential treatment of these data be sent with a courtesy copy to Dennis Jarvis,

establishment competing in commercial markets. 39 U.S.C. § 504(g)(3)(A). The Commission has indicated that "likely commercial injury" should be construed broadly to encompass other types of injury, such as harms to privacy, deliberative process, or law enforcement interests. PRC Order No. 194, Second Notice of Proposed Rulemaking to Establish a Procedure for According Appropriate Confidentiality, Docket No. RM2008-1, Mar. 20, 2009, at 11.

General Manager, International Product Management, Canada Post Corporation. Mr. Jarvis's telephone number is (613) 734-8149, and his email address is dennis.jarvis@canadapost.ca.³

The remaining third parties with a proprietary interest in the materials are three customers associated with Parcel Select Negotiated Service Agreement Mail and Parcel Return Service Negotiated Service Agreement Mail. During the relevant period, each of these lines of the RPW report reflected only the data for the respective individual customer. Hence, these customers have a proprietary interest in the data for these competitive products, in a similar manner to CPC's interest discussed above. Because the Postal Service maintains that these customers' identities are commercially sensitive and should not be publicly disclosed, the Postal Service gives notice that it has already informed the customers, in compliance with 39 C.F.R. § 3007.20(b), of the nature and scope of this filing. The customers were advised of their ability to address their confidentiality concerns directly with the Commission. The Postal Service employee responsible for providing notice to these third parties with proprietary interest in the materials submitted here is Elizabeth A. Reed, Attorney. Ms Reed's email address is Elizabeth.A.Reed@USPS.gov, and her telephone number is 202-268-3179.

(3) A description of the materials claimed to be non-public in a manner that, without revealing the materials at issue, would allow a person to thoroughly evaluate the basis for the claim that they are non-public;

³ In the event of a request for early termination of non-public treatment under 39 C.F.R. § 3007.31, a preliminary determination of non-public status under 39 C.F.R. § 3007.32, or a request for access to non-public materials under 39 C.F.R. § 3007.40, the Postal Service notes, on CPC's behalf, that differences in the official observation of national holidays might adversely and unduly affect CPC's ability to avail itself of the times allowed for response under the Commission's rules. In such cases, CPC has requested that the Postal Service convey its preemptive request that the Commission account for such holidays when accepting submissions on matters that affect CPC's interests. A listing of Canada's official holidays can be found at <http://www.pch.gc.ca/pgm/ceem-cced/jfa-ha/index-eng.cfm>.

In connection with this application, the Postal Service has filed the RPW reports for the Quarters 1-4 of FY 2009, and an annual summary report for FY 2009. Versions showing all information for market dominant and competitive products are filed under seal, with versions showing information for virtually all market dominant products, with one exception, and summary information for certain affected market dominant and competitive product groupings filed publicly. The Postal Service maintains that the non-public portions of these materials should remain confidential.

Revenue, volume, and weight data for certain market dominant and competitive product categories are commercially sensitive at the disaggregated level shown in the versions of the instant reports filed under seal. In the interest of transparency, and consistent with past practice for such reports, the Postal Service has merged each sensitive line of data with the next-highest level of aggregation. In contrast to outright redaction, the Postal Service believes that this approach maximizes the amount of information available to the public, keeping such information as detailed as possible without prompting the competitive concerns outlined below. The affected lines of data are outlined in the chart below:

Category in Public Version	Categories Rolled in from Non-Public Version
Inbound Intl. Letter-Post Single-Piece & NSA Mail	Inbound International Single-Piece Letter-Post Inbound Intl. Letter-Post NSA Mail
Total Express Mail	Domestic Express Mail Domestic Express Mail Neg. Serv. Agreements
Total Priority Mail	Domestic Priority Mail Domestic Priority Mail Neg. Serv. Agreements Priority Mail Fees Priority Mail Neg. Serv. Agreement Mail Fees
Total Parcel Select Mail	Parcel Select Parcel Select Negotiated Serv. Agreement Mail Parcel Select Mail Fees Parcel Select Neg. Serv. Agreement Mail Fees

Total Parcel Return Service Mail	Parcel Return Service Mail Parcel Return Serv. Neg. Serv. Agreement Mail
Outbound International Expedited Services	Outbound International Expedited Services Outbound Intl. Expedited Services NSA Mail
Inbound International Expedited Services	Inbound International Expedited Services Inbound Intl. Expedited Neg. Serv. Agreements
Outbound Priority Mail International	Outbound Priority Mail International Outbound Priority Mail Intl. NSA Mail
Inbound Air Parcel Post	Inbound Air Parcel Post Inbound Intl. Priority Mail Neg. Serv. Agreements
Other International Mail	International Priority Mail (IPA) International Surface Airlift (ISAL) International Direct Sacks M-Bags Inbound Surf. Parcel Post (at Non-UPU Rates) Outbound Intl Negotiated Serv. Agreement Mail Inbound Intl Negotiated Serv. Agreement Mail

(4) Particular identification of the nature and extent of commercial harm alleged and the likelihood of such harm;

If the information that the Postal Service determined to be protected from disclosure due to its commercially sensitive nature were to be disclosed publicly, the Postal Service considers it quite likely that it would suffer commercial harm. This information is commercially sensitive, and the Postal Service does not believe that it would be disclosed under good business practices. Competitors could use the revenue, pieces, and weight information to analyze the Postal Service's possible market strengths and weaknesses and to focus sales and marketing efforts on those areas, to the detriment of the Postal Service. Disclosure of this information would also undermine the Postal Service's position in negotiating favorable terms with potential customers, who would be able to ascertain critical information about relevant product trends (e.g., average revenue per piece, average weight per piece). Finally, disclosure would expose certain foreign postal administrations and other customers to the same competitive harms, to the extent that a category is associated with a single customer or

a small group of customers. The Postal Service considers these to be highly probable outcomes that would result from public disclosure of the material filed non-publicly.

(5) At least one specific hypothetical, illustrative example of each alleged harm;

Harm: Competitors could use disaggregated product volume, weight, and revenue distribution information to assess vulnerabilities and focus sales and marketing efforts to the Postal Service's detriment.

Hypothetical: Disaggregated revenue, volume, and weight information in the Revenue, Pieces, and Weight reports is released to the public. Another delivery service's employee monitors the filing of this information and passes the information along to its sales and marketing functions. The competitor assesses the lucrativeness of certain services on a per-piece or per-pound basis, or the Postal Service's relative concentration in certain service offerings. The competitor then targets its advertising and sales efforts at actual or potential customers in market segments where the Postal Service appears to have made headway, hindering the Postal Service's ability to reach out effectively to these customers.

This example applies even more strongly for information split between Negotiated Service Agreement (NSA) mail and other mail in the same category, because the competitor would assess the lucrativeness and market strength of the Postal Service's offerings to a small subset of NSA customers, thereby gaining somewhat more particularized insight into the characteristics of customers that the Postal Service specifically targets with its own contractual sales efforts.

A more pointed variant on this hypothetical pertains to Inbound International Letter-Post NSA Mail and Inbound Surface Parcel Post (at Non-UPU Rates). Because these are associated with a single foreign postal administration, a competing delivery

service provider with access to this information uses it to determine the average per-item and per-pound price offered by the Postal Service to CPC, as well as the average weight of Inbound Letter-Post and Surface Parcel Post items from Canada. The competitor uses that information as a baseline to negotiate with freight companies to develop lower-cost alternatives and entice CPC's volume away from the Postal Service's U.S. delivery network. This is particularly sensitive due to the Postal Service's ongoing negotiations with CPC.

Harm: Customers, including foreign postal administrations, could use disaggregated product volume, weight, and revenue distribution information to undermine the Postal Service's leverage in negotiations.

Hypothetical: Disaggregated revenue, volume, and weight information in the Revenue, Pieces, and Weight reports is released to the public. A foreign postal administration's employee monitors the filing of this information and passes the information along to its international postal relations functions. The foreign postal administration assesses the Postal Service's average per-item or per-pound revenue for categories about which it is negotiating with the Postal Service, with particular focus on categories known to be included in NSAs with other foreign postal administrations (e.g., Inbound International Letter-Post NSA Mail, Inbound International Priority Mail Negotiated Service Agreements, Inbound Surface Parcel Post (at Non-UPU Rates)). Accurately or not, the foreign postal administration uses the average revenue information as a justification for pricing demands in negotiations, refusing to accept a higher price without steeper concessions than the Postal Service might otherwise have been able to achieve. The Postal Service's ability to negotiate the best value from the bargain suffers as a result. This hypothetical applies with equal force for customers other than foreign postal

administrations, as well as for NSA mail and non-NSA mail that can be made subject to an NSA (e.g., International Priority Airmail, which can be included in Global Plus 1 NSAs). This is particularly sensitive due to the Postal Service's ongoing negotiations with CPC and other foreign posts.

Harm: Public disclosure of information in the RPW report would be used by CPC's competitors to its detriment.

Hypothetical: A competing international delivery service obtains a copy of the unredacted version of the RPW report. The competitor analyzes the report to assess the average per-piece and per-pound revenue for Inbound International Letter-Post NSA Mail and Inbound Surface Parcels (at Non-UPU Rates), which correspond to CPC's average per-piece and per-pound cost for U.S. delivery of its pertinent products. The competitor uses that information as a baseline to negotiate with freight companies to develop lower-cost alternatives and entice Canadian shipping customers away from CPC. This is particularly sensitive due to the Postal Service's ongoing negotiations with CPC.

(6) The extent of protection from public disclosure deemed to be necessary;

The Postal Service maintains that the portions of the materials filed non-publicly and relating to competitive products should be withheld from persons involved in competitive decision-making in the relevant markets for competitive delivery products (including private sector integrators and foreign postal administrations), as well as their consultants and attorneys. Additionally, the Postal Service believes that actual or potential customers of the Postal Service for these or similar products should not be provided access to the non-public materials.

(7) The length of time deemed necessary for the non-public materials to be protected from public disclosure with justification thereof; and

The Commission's regulations provide that non-public materials shall lose non-public status ten years after the date of filing with the Commission, unless the Commission or its authorized representative enters an order extending the duration of that status. 39 C.F.R. § 3007.30. The Postal Service believes that the ten-year period of non-public treatment is sufficient to protect its interests with regard to the information it determined should be withheld due to commercial sensitivity.

(8) Any other factors or reasons relevant to support the application.

None.

Conclusion

For the reasons discussed, the Postal Service asks that the Commission grant its application for non-public treatment of the identified materials.